



Auditor of Public Accounts  
Mike Harmon

**FOR IMMEDIATE RELEASE**

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**Harmon Releases Audit of Clay County Clerk's Fee Account**

**FRANKFORT, Ky.** – State Auditor Mike Harmon today released the audit of the 2016 financial statement of Clay County Clerk Michael Baker. State law requires the auditor to conduct annual audits of county clerks and sheriffs.

Auditing standards require the auditor's letter to communicate whether the financial statement presents fairly the receipts, disbursements and excess fees of the Clay County Clerk in accordance with accounting principles generally accepted in the United States of America. The clerk's financial statement did not follow this format. However, the clerk's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for all 120 clerk audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following comment:

**The Clay County Clerk's Office lacks adequate segregation of duties over receipts, disbursements, and bank reconciliations.** This is a repeat finding and was included in the prior year audit report as Finding 2015-001. The county clerk's bookkeeper is performing incompatible duties by recording receipts and disbursements to ledgers, performing bank reconciliations, and processing and signing checks for disbursement. Although the county clerk has implemented compensating controls to mitigate the lack of segregation of duties, errors occurred in the recording of usage tax, and license and transfers tax. The county clerk documents his review of receipts, disbursements, and reconciliations. However, these controls failed in preventing errors from occurring.

A limited number of staff prevents a proper segregation of duties. This could result in the undetected misappropriation of assets or inaccurate financial reporting. Adequate segregation of duties dictate that duties involving the collection and reporting of receipts, the preparation and recording of disbursements, and bank reconciliations should be separated or strong oversight should be performed by an employee not performing any of those functions. The county clerk should implement oversight when duties cannot be segregated.

We recommend the county clerk segregate duties over receipts, disbursements, and reconciliations. If segregation of duties is not feasible due to lack of staff, the county clerk should continue to implement compensating controls that operate effectively while strengthening controls over the recording of usage tax, and license and transfer tax. Additionally, the clerk should implement additional compensating controls by requiring an additional signature on checks and maintaining bank statements with copies of cancelled checks.

*County Clerk's response: The county clerk did not provide a response.*

The county clerk's responsibilities include collecting certain taxes, issuing licenses, maintaining county records and providing other services. The clerk's office is funded through statutory fees collected in conjunction with these duties.

The audit report can be found on the [auditor's website](#).

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